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Madsen, Poul Thøis

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# Common misconceptions of Germany and the EMU: An analysis of the German debate, 1993-1998

HEATHER BACA-GREIF(Master Student), POUL THØIS MADSEN (Director of  
Studies/International Studies), ESBEN NIELSEN (Master Student)

Aalborg University

The public debate in Germany over the EMU 1993-98 can be divided into: a European identity debate, an economic debate, and a price stability debate. These debates formed a necessary link between German interests and the EMU. Without this link, the German elite may have favored a postponement of the Euro past 1999, leading to a loss in the momentum of the EMU or a stop in the progression of the EMU project all together.

## Introduction

The question as to why Germany joined the EMU has attracted a lot of interest from a variety of scholars over the years. Given the advantages of the European Monetary System (EMS), the German economic interest in the EMU were not as clear. Many attempts to clarify the German position have been made, including explanations emphasising geopolitical concerns, structural economic aspects, path dependence, and nation-state identity. However, despite a number of extensive and diverging contributions, we will argue that so far no contributions have succeeded in delivering a fully satisfactory explanation as to why Germany joined the EMU. This is a gap, which this article attempts to minimize.

We join the discussion by dispelling two common misconceptions, and thus provide a more comprehensive understanding of the German position on European monetary integration. The first misconception is that the EMU was finalised with the Maastricht Treaty, leaving the Euro 'locked in'. The second is that economic interest-based and constructivist European integration theories cannot compliment each other in explaining key decisions made about the EMU.

One predominant misconception about the EMU process is that the decision to adopt the Euro was finalised with the Maastricht treaty. As a consequence, the most common period studied in relation to Germany and the EMU is between 1988 and 1991.<sup>1</sup> From this view, the process towards the EMU started with the Hannover Summit in 1988, and was finalised with the agreement in Maastricht, in December of 1991. This overlooks two factors: the German Federal Constitutional Court ruling on the 12<sup>th</sup> of October, 1993, which stated that German participation in the EMU needed to be approved by the Bundestag and Bundesrat on the 23rd and 24<sup>th</sup> of April 1998; and, that the German debate about acceptance of the EMU began to gain momentum and intensity from late 1993 in the German newspapers, gradually fading away again after the decision to join the EMU in the Bundestag and Bundesrat in April of 1998.<sup>2</sup>

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<sup>1</sup> Cf. Dyson and Featherstone (1999), Moravcsik (1998), Maes (2004), McNamara (1998) and Verdun (1998).

<sup>2</sup> However, it must be emphasised that German newspapers have only been analysed back to the beginning of 1993 through FAZ, because the electronic archive does not extend past this point in time (Die Zeit does not cover 1989-1996, but goes back to 1948). Although we did not study newspapers before 1993, authors studying the period until 1991 (Dyson and Featherstone 1999; Risse et al 1999) have identified surprisingly little public debate about the Euro in Germany. Concurrently, we observed very little debate through the year 1993. Even when the ERM in the EMS was abandoned on the 31<sup>st</sup> of July 1993, the political elites did not question the

Why is it important that there was a public debate about the EMU in Germany *after* the Maastricht treaty was signed? And how does this extensive debate fit into a broader understanding of the EMU in Germany? The existence of a public national discussion in Germany can be seen as signifying that the issues being discussed were not fixed, or agreed upon. In this case, the German Federal Constitutional Court ruling in 1993 politicized the EMU debate in Germany for the first time when it was agreed the political elites would have to vote in favor of or against joining the Euro in 1998. It should be remembered that the initial decision to join the EMU made in Maastricht had been driven exclusively by the governmental elites and Bundesbank representatives at the European level with only minor interference from actors in the national arena (Dyson and Featherstone, 1999). Thus, the Constitutional court ruling in 1993 ‘brought the people in’, thereby operationalizing, for the first time, *German* preferences towards both the adoption and implementation of the Euro. While it is true that the Maastricht treaty may have signified that the EMU was a positive or necessary step for Europe, we argue that the decisions made by the Bundestag and Bundesrat in 1998 were necessary to determine a decision which would be in accordance with German national interests.

It is also important to understand what a debate in and of itself can contribute to the process of European integration on a more general level. Discourse analyst Thomas Diez states that “the whole history of European integration can be understood as a history of speech acts establishing a system of governance”(Diez, 1999). The reason for this is that discourse defines what we know.<sup>3</sup> Through discourse, definitions can be changed or evolve, which in turn changes our understandings or perceptions (Diez, 1999). Translated to the case presented here, this implies that German elites formed their understanding of European monetary integration and the EMU through an evolving discourse. The change and development in this discourse then depicts the evolution of what the German elites found to be important and valid in relation to the EMU, and what they considered to be invalid (seemingly unimportant issues not being discussed). In other words, by understanding the German elite discourse related to the EMU, we can also understand the German preferences towards adopting the Euro.

Finally, it is also necessary to discuss the importance of the *outcome* of the public debate. We will show through the analysis of our empirical research that a serious discussion and fear about postponing the final stage of the EMU past 1999 was voiced throughout the debates of 1993 to 1998. The political and economic elites feared that the momentum towards finalizing the EMU could be lost forever if it was perceived that the EMU was not in Germany’s interest. The elites who argued in favour of a postponement of the EMU, past 1999, argued for postponement if the convergence criteria could not be fulfilled.

If postponement had become the overall elite consensus at the time of the Bundestag and Bundesrat decisions, the introduction of the Euro would have been delayed with reference to the lack of convergence criteria fulfilment in several countries, including Germany. This counterfactual argument suggests that the course of European integration could have been altered all together due to the public debate, which occurred in Germany during the years of 1993 to 1998.

Pertaining to the second misconception, concerning theoretical incompatibility, one of the contributions of this article is to demonstrate that, although we do not subscribe to the ontological view of rational choice, cost/benefit analysis can be included into a broader social constructivist framework as a norm which ‘constructs’ elite preferences. With this understanding, all of the issues

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prospects of instituting the EMU (0.3.08.1993. F.A.Z. “*Nach den Brüsseler Währungsentscheidungen spricht Waigel von einem “Befreiungsschlag”*”). Our studies also indicate that the German EMU debate first picked up momentum after the rulings by Constitutional Court on the 12<sup>th</sup> of October 1993.

<sup>3</sup> This concept was articulated by Michel Foucault, one of the founders of discourse analysis, elaborated for the case of European Integration by Diez (1999).

and arguments which are made in the German debate over the EMU are able to be discussed coherently. Most theories, as we will show, apply a stringent theoretical framework when studying the German decision to join the EMU, thereby excluding other explanations as to why Germany joined the EMU. However, none of these theories has been able to fully account for the complexity of the German decision in favor of the EMU.

In order for our analysis of the German debate to support our claims, we will need to convincingly demonstrate two things: first, that there was actually a debate taking place with substantial content about important issues at stake for Germany; second, that social constructs, which include economic interests, can be seen as factors having a real impact on the decisions finally taken in 1998.

The following will begin with a discussion of previous explanations of European monetary integration. Then, we will present the approach used in the empirical analysis. The proceeding three sections summarise the main public debates in Germany from 1993 to 1998: the need for the Euro in order to maintain European identity; advocacy of the economic benefits of entering the common currency; and the need for maintaining price stability in Germany. The article concludes with an analysis of the three debates taken as a whole, and relates them to the research question: Why did Germany finally decide to join the EMU?

## **1. Elite Preferences in European Monetary Integration**

The fact that European Monetary Integration and the EMU were elite driven processes is generally accepted among scholars. What are not agreed upon, however, are the factors, which led the elites to their decision to join the Common Currency. The main diverging explanations regarding the German decision to join the EMU emphasize either, geopolitical, structural economic, European national identity aspects or path dependence. Despite the differences in these theoretical perspectives, most of them share two problems: a focus exclusively on the Maastricht period (overlooking the 1998 decision about whether the EMU was acceptable for German interests); as well as relying heavily on only one theory, to the general exclusion of other theories.

Garton Ash (1993) and Grieco (1995) have argued that Germany accepted European monetary integration because of a desire to overcome a new security dilemma in Europe, mainly with France, who feared Germany in the aftermath of unification. However, it has been argued by Risse et al (1999) and Moravcsik (1998), that this theory is factually incorrect due to the fact that the German elite were in favour of the EMU long before reunification took place. Even though German unification might have been influential for German elite preferences for the EMU, German preferences for the EMU have been identified before unification; a point, which these theories do not elaborate on. Furthermore, if unification was a primary cause for German preferences towards the EMU, it would have been expected that this justification would have been a central theme in the German discussion in 1993-1998. However, a link between unification and the German preferences towards the EMU has not been identified.

Other scholars advance an almost purely rational choice economic explanation. Frieden (1998), Jones (1999), Loedel (1999), and Moravcsik (1999) argue that the political elites were sensitive to the interests of economic actors in Germany. In an increasingly international liberal market setting, the preferences of business leaders were progressively making their way into political discourse, and influencing political elites in their policy decisions. What these mainly rational-choice theorists not take into account is the possibility of other important explanatory factors, such as identities, norms, and values.

However, national identity explanations have also been forwarded, emphasising aspects of preference formation in accounting for the behaviour of (German) decision-makers. Risse et al (1999) argue that

the general elite support for the single currency was based on German post-World War II identity ‘Euro-patriotism’ which was supposed to overcome the German nationalist and militarist past once and for all. In other words, having a European identity by implication leads to a positive stance towards major steps forward in political, as well as economic, European integration – such as the EMU. The problem that Risse et al develop is that they reduce the German decision to a question of European identity hereby essentially excluding e.g. possible economic considerations underlying the German decision.

Other scholars such as Pierson (1997) and Hall and Taylor (1996) have used arguments from institutional path dependence. According to this theory, an event creates positive feedback loops, which increase returns for continuing along the same ‘path’, and produce increasingly negative outcomes for diverging from the ‘path’. In the case of Germany, the argument is that the Maastricht Treaty left the German decision to join the EMU “locked in”, providing increasing incentives to join the Euro and making it increasingly costly to ‘back out’. This theory, however, does not seem to give enough explanatory value to the individuality and complexity as to why Germany joined the EMU. The EMU process was not sufficiently “locked in”, because the German Federal Constitutional Court ruling in 1993 led to an understanding that further discussion was needed before the Euro could be accepted in Germany.

These contributions by no means provide an exhaustive list of explanations. Ivo Maes, Karl Kaltenthaler, and Dyson/Featherstone, for example, advance views, which fall outside the four categories, listed above. Although diverging from the more frequent explanations, these scholars do share one common view that the question of securing price stability played a decisive role in the German decision to join the EMU.

Maes (2004) argues that Keynesian policy had lost its attraction in France due to the stagflation of the 1970s, and France was therefore siding more with German price stability policy on the EMU. Karl Kaltenthaler (2002) argues that German interests in European monetary integration were initiated by German geo-political concerns. After the Maastricht Treaty and reunification, German interests focused on maintaining price stability, namely through the Stability Pact proposal. Dyson and Featherstone (1999), in their book “Road to Maastricht” focus on political actors whose preferences for EMU were influenced by the ordo-liberal emphasis for maintaining price stability through tough convergence criteria, rules safeguarding excessive budget deficits, sanctions for noncompliant countries, and central bank interdependence. Dyson and Featherstone also identify a German historical feeling of responsibility to bring Europe together through European integration.

These contributions share some common problems. As mentioned, most of the previous studies conducted in relation to European integration have tended to focus exclusively on the Maastricht period; as well as relying heavily on only one theory, thus possibly leaving out important aspects in other theories. A problem which often arises when attempting to demonstrate the relevance of a theory is that this becomes a primary concern, and the empirical evidence then becomes a tool to show the relevance of the theory. This phenomenon tends to exclude or ‘overlook’ facts which do not match the chosen theory. Although many important ideas are spelled out in these contributions, the constraints of whichever theory (or explanation) is chosen then demands that other important aspects are excluded from, or not seen as central to, the German decision.

Another reason why other explanations are excluded from a particular theory stems from a difference in ontological stances. In the academic literature presented above, theories that explain German preferences, based on overcoming a security dilemma, or based purely upon economic explanations, operate with a rational choice ontology. National identity explanations, on the other hand, operate based on a social constructivist ontology, which is fundamentally in opposition to that of rationalists. As will be presented in our theoretical analysis, rationalist economic *as well as* national identity theories both clarify parts of the complex motives underlying the German decision to join the EMU.

For this reason, we have included them both in our theoretical framework, which bridges these otherwise ontologically opposite positions. In order to do this, we use a social constructivist framework, within which we view the economic rational choice considerations are understood as a social construction.

## 2. Social Constructivism in relation to Rational Choice

The key features of rational choice theories mentioned above are quite well known, and often applied to the analysis of European integration. Social constructivism, however, is a newly emerging field, which is, as yet, less well known and defined for the analysis of European integration. For this reason, we will briefly recapitulate some of the predominant understandings within social constructivist theories, as they have appeared in relation to the topic of integration.

The term ‘social constructivism’ was first introduced in a non-integration setting in the 1960s, when Berger and Luckmann (1966) articulated how and why individuals construct their reality. Social constructivism is based on the premises that social reality is constructed and reproduced by actors during their daily practices; Berger and Luckmann labelled this process ‘the social construction of reality’. The seminal work in relation to social constructivism and European integration was introduced in 1999, in a special edition of the *Journal of European Public Policy*, where a systematic and focused perspective of social constructivism was applied to the study of European integration. The latest work within the field of social constructivism is being published by many of the same authors (Diez, Checkel, Risse, Marcussen, etc.) who continue to build on the concepts, which they have helped to develop in the 1999 special edition of the *Journal of European Public Policy*.

Rational choice theories explain actors as driven by their rational self-interest, which cause decisions to be based on a (mainly) *economic cost-benefit analysis*. Social constructivist theories emphasise norms and values as being decisive for how actors perceive a particular situation, thus providing actors with an understanding of how they should act. This identifies a basic contrast in how the two theoretical perceive actors being motivated to make decisions; one based on an *economic cost-benefit analysis*, and the other on norms and values. As identified by the scholar Richard Young, the relationship between rationalists and constructivist logics is one of the most pressing challenges for social science theory (Young, 2004).

A major ontological difference between rational-choice and social constructivist theorizing is that whereas the former views identities and interests of actors as exogenously given, the latter views them as endogenous and socially constructed through interaction. Within the ontology of rational-choice, ideational factors are perceived in strictly instrumental terms, useful or not for self-regarding individuals (units) who pursue material interests (Frieden, 1998; Jones, 1999; Loedel, 1999; and Moravscik, 1999). With this view actors are already fully constituted and poised in a strategic problem-solving mode. Contrary to the rational-choice approach, social constructivists view norms or social constructions not only regulating an actor’s behaviour, but also constituting the identity of actors in the sense of defining who ‘we’ are as members of a social community (Risse, 2004).

Scholars such as Risse et al. (1999) and Marcussen et al. (1999) have used identity analysis to describe some main features of social constructions, which they call ‘identity constructions’. One generally agreed upon aspect of an identity construction is that it is stable, and that the longer a particular identity exists, the more stable it becomes. The reason for this stems from cognitive psychology, which understands individuals as wanting to find order in a chaotic world. Individuals then stereotype and categorize to achieve their desired order. These identity categorizations, or constructions, become more stable over time because people internalize them, making contradictory information less likely to be recognized or considered.

Risse et al. (1999) and Marcussen et al. (1999) also recognize individuals as making in-group and out-group identifications as part of a social construction. In-group identification is formed because it allows members to feel connected by a shared sense of norms and values, creating a social construct, or collective identity. In order for there to be an in-group, there must also be a distinction of what constitutes the out-group which participants of a collective identity feel is outside of and/or in opposition to that of their own group.

Collective identities are seen as being able to change quickly and radically during what scholars call a critical juncture (Checkel, 1999) (Risse et al., 1999) (Marcussen et al. 1999). A critical juncture is thought to occur when there is too much information present rejecting a given social construction, which forces the in-group into an identity crisis. This critical juncture is also thought to open a possibility of forming a new identity construction. Individuals who are in a position of power, and who come up with an alternative to the undesirable identity, are said to be entrepreneurs, able to turn their individually held idea into broader normative belief or new collective identity.

In the absence of a critical juncture, collective identities are seen as relatively stable but still as changing incrementally. This gradual change can be understood through discourse analysis. The scholar Thomas Diez (1999) emphasizes that meanings within discourses are never fixed. Diez explains language as having specific meanings at specific moments in time, which change or shift over time, and allow development to occur. As the discourse relating to a collective identity changes or shifts within a political arena, the perception of the collective identity also changes or shifts, making new political developments possible. An example given by Milliken (1999) is that new developments in discourse can change policy practices. It should therefore be possible to observe the incremental change in a given identity, and understand why actions were taken, by observing the related discourse.

The emphasis on communicative and discourse practices constitutes another feature of social constructivist approaches. As argued by the scholar Thomas Diez, discursive practices establish a relationship in which actors “understand certain problems in a certain way, and pose questions accordingly.” (Diez, 1999, p. 603) Although it is understood that individuals impose meaning, they do not act as autonomous subjects, but from a normative context in which they are situated. Elaborating on Habermas’ theory of communicative action, Thomas Risse (2000) has argued similarly that actors need to share a ‘common life world’, which supplies a collective interpretation of the world and of individuals themselves, as provided by language, in order to be able to act and communicate among themselves. The ‘life world’ enables actors to communicate through a collective understanding, which they can refer to when acting, deliberating, and persuading.

A point crucial to our analysis is that while rational choice theories exclude the possibility of basing decisions on norms or values in a specific social context, social constructivist theories do not exclude the possibility that it could be the norm to take economic cost-benefit analyses into account. According to John Gerard Ruggie (1998), constructivism seeks to map the full array of ideational factors that shape actors’ outlooks and behaviour, ranging from culture, to aspirations and principal beliefs, to cause-effect knowledge of specific policy problems (cost/benefit calculations). Similarly the scholars Finnemore and Sikkink (1998) have also introduced the notion of “strategic social constructions”, in which they describe normative context as contributing to the occurrence of cost-benefit calculations. Thus, social constructivism is viewed as an attempt to set general ideational parameters shaped by inter-subjectively formed identities within which more instrumental choices can be made (Young, 2004; Wendt, 1999).

### **3. The Approach**

In our empirical analysis, we apply grounded theory, where theoretical categorizations are developed “via empirical study and abstraction, comparing on the basis of new data whether these categories fit

and, if necessary, reformulating the categories so that they are empirically valid.” (Milleken, 1999, p.234). The role played by theory in this kind of analysis is different than in most of the contributions reviewed above, in that the focus is placed on explaining the empirical evidence as thoroughly as possible, rather than focusing on the theory.

Our empirical evidence consists of a mapping of the German public debate about the EMU during the period of 1993 to 1998, which we processed in three steps: first, identifying relevant articles; second, translating key quotes into English (those which characterize the dominant opinions expressed in the articles); and third, identifying patterns in the quotes which have been separated/condensed into three main debates. The dominant debates which emerged consist of: the need for the Euro in order to maintain European identity; the economic benefits of entering the common currency; and the need for maintaining price stability in Germany. These three debates comprise our theoretical categorization/conceptualization of the German public debate.

The three main theoretical categorizations are grouped from the information gathered from German newspapers *die Zeit*, *die Welt*, the *Frankfurter Allgemeine*, and magazine *der Spiegel*. It is important to acknowledge that elite arguments for each of the following debates are often interrelated, containing elements of multiple debates. In one public statement, for example, elements of European identity, as well as price stability or economic benefits may be presented. We have identified and separated statements, which make the strongest arguments for each debate. Phrases or statements presented in the following represent the dominant features within each debate, and are separated for clarification purposes only. We argue that an understanding of these debates reveals the impetus for the decisions made by the Bundestag and Bundesrat in 1998. A serious tone and concern about postponing the final stage of the EMU past 1999 was voiced throughout these debates during 1993 to 1998, which we argue could have lead to a belief that the EMU was not in Germany’s best interest, making the 1998 decisions of utmost importance for Germany and the progress of the EMU.

#### **4. The European Identity Debate**

One of the prominent public debates consistently favored the Euro because of its association to European identity. Throughout this debate, elite statements identify individuals who were in favour of the EMU and European integration within the German in-group. Individuals or groups who were identified as being skeptical towards, or not in favor of, the EMU were placed in the out-group, which was identified with Germany’s national socialist past. Values and norms of European identity, namely European integration and peace, are also promoted during this debate. Maintaining peace through introducing the Euro was constructed as a value of European identity in order to overcome past German nationalism and to prevent conditions such as those leading to WW II. This debate was heavily emphasized in 1995, while 1993-94 debates were dominated by European Monetary Institute (EMI) placement and price stability.

In 1995, Scharping and Schroeder created “enormous controversy” by allegedly discussing the postponement of the Euro past 1999<sup>4</sup>. This allegation, whether or not it was accurate, created a strong reaction among other elites, who formed responses in favor of the EMU around in-group/out-group categorization. The minister of Foreign affairs, Klaus Kinkel (FDP), classified Scharping and Schroeder in the European out-group, as: “those who question the Euro by cheap populism,” which he

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<sup>4</sup> (F.A.Z., 31.10.1995) – A postponement of the EMU past 1999 was mentioned on several occasions up until the decisions to join the EMU were made in 1998. Talk of postponing the EMU past 1999 occurred in: F.A.Z: 29.10.1993; 05.07.1994; 28.04.1994; 14.05.1995; 15.05. 1995; 28.06. 1995; 11.10.1995; 11.11. 1995.; 24.09.1996.; 03.12. 1996; 01.02.1997; 11.07.1997; 25.07.1997; 09.02.1998. *Die Welt*: 11.10.1995; 31.10.1995; 06.01.1997; 13.03.1997; 25.03.1997; 09.04.1997; 10.04.1997; 16.05.1997; 12.06.1997; 23.06.1997; 26.06.1997; 28.06.1997; 13.09.1997.



felt would lead to “a relapse into protectionism and into national quarrels.” Kinkel identified acceptance of the common currency with the European in-group of “good euro political spirit.”<sup>5</sup> CDU Secretary-General Peter Hintze identified himself with the European in-group by describing the EMU as a “durable peacekeeping” mission, and depicted the out-group, such as Scharping and Schroeder, as people who “talk down to Europe” and therefore “harm Germany.”<sup>6</sup>

In 1996, Chancellor Kohl made a speech to the Irish Parliament in connection with the European Council’s pending decision on the Stability and Growth Pact, classifying himself with the in-group by supporting European Integration. Kohl proclaimed that a German who was not in favor of integration was “betraying the future of his home country and also the future of Europe.”<sup>7</sup> In 1997, Joscka Fischer of Bündnis 90/Die Grünen also identified the European in-group as those who could see that “history is Europe’s principal identity,” and that European integration (the EMU) was of extreme importance. Fischer also asked Germans to reject any debate about postponement of the euro past 1999, because he believed that it could have led to a situation similar to Germany’s past.<sup>8</sup> The chairman of SPD and minister president of Saarland, Oscar Lafontaine, stated that the SPD wanted to participate in “introducing the euro as scheduled in order to build a united Europe,” placing the SPD in the in-group of European identity, and thereby “overcome[ing] the national rivalries of this century.”<sup>9</sup>

The importance of European identity seems to derive from a desire to overcome Germany’s National Socialist past. Political elites as well as economic interest groups stressed that the EMU was the only way of maintaining European identity. As the starting date of the Euro grew nearer, the acceptance for EMU was also tied to the maintenance of peace in Europe. It seems that the German elites believed that EMU was necessary for peace, and that non-acceptance of the EMU, simply stated, would mean war.

In 1995, SPD Member of the Bundestag, Uwe Jens, favored the Euro being launched in 1999, saying: “that is the way it has to be”. He also felt that a delay of the Euro would “degrade the European idea and vision to a foreign trade zone.”<sup>10</sup> Here, Uwe Jens was emphasizing that the EMU was connected to European identity, ‘European idea and vision’, and that the Euro was necessary to uphold this identity. Helmut Werner, chairman of the executive committee of Mercedes, reiterated this view when he wrote: “There is no alternative to Monetary Union”. He referred to Monetary Union as a “great idea” and “vision” for Europe, and that not realizing the EMU could “perhaps even prevent it [European integration].”<sup>11</sup> Here, both Uwe Jens and Helmut Werner emphasize the acceptance of the Euro in order to uphold European identity.

In 1996, Chancellor Kohl emphasized that the Euro would ensure peace, identifying that it would be the best weapon “against silly national chauvinism of the past”.<sup>12</sup> Joscka Fischer also argued that further European integration would be a way to avoid the struggles of the past when he stated that: “The alternatives are to go back to a European system of balance of power or go ahead with European integration,” calling the EMU a “peaceful answer.”<sup>13</sup> Rudolf Scharping, chairman of the SPD committee in Bundestag, expressed to the Bundestag in May 1997 that the Euro was important “for the sake of the peace and assured future of the whole continent.”<sup>14</sup> Chancellor Kohl, during his address to

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<sup>5</sup> 31.10.1995, F.A.Z.: *Kinkel: Währungsunion ist nicht „irgendeine Idee“*

<sup>6</sup> 31.10.1995, F.A.Z.: „Die SPD-Führung sieht sich in der Rolle des Mahners“

<sup>7</sup> 02.10.1996, Die Welt: *“Address by Chancellor Helmut Kohl to Dail Eireann”*

<sup>8</sup> 21.03.1997, Die Zeit: *“Joscka Fischer: Warum ich für den Euro bin”*

<sup>9</sup> 03.12.1997, Die Welt: *“Der SPD geht es um einen Richtungswechsel”*

<sup>10</sup> 31.10.1995, F.A.Z.: „Die SPD-Führung sieht sich in der Rolle des Mahners“

<sup>11</sup> 02.12.1995, F.A.Z.: *„Standpunkte: Helmut Werner – Keine Alternative zur Währungsunion“*

<sup>12</sup> 23.11.1996, Die Welt: *“Kohl erklärt EWU zur Schicksalsfrage”*

<sup>13</sup> 21.03.1997, Die Zeit: *“Joscka Fischer: Warum ich für den Euro bin”*

<sup>14</sup> 16.05.1997, Die Welt: *“Sparpolitik gefährdet Währungsunion”*

the German Bundestag on the 23<sup>rd</sup> of April, 1998, also argued that the introduction of the EMU was “an important building block for a European peace order,” and proclaimed: “nationalism is war”.<sup>15</sup>

All of these statements make the pronounced identification of the Euro as necessary for European identity and peace, the alternative of which would be a return to Germany's past and the possibility of war.

## 5. The Economic Interest Debate

Political and interest group elites also engaged in an economic cost-benefit debate concerning the acceptance of the final stage of the EMU. The main components of this debate revolved around the advantages of having a common currency and the drawbacks of rejecting the Euro. The advantages described were that the Euro would make the common market more efficient and more competitive on the international market. These arguments were tied to an understanding that a common currency would bring lower prices, better resource allocation, certainty of investment (through transparency of the economy), and that this would lead to higher productivity, growth, and competitiveness. Elites also argued that the Euro would eliminate currency fluctuations and transaction costs, as well as prevent the overvaluation of the D-mark.

German Foreign Minister Klaus Kinkel (FDP) stated that the Euro was the “logical end stone” of the common market, emphasizing that a stronger common market would bring all Europeans “more growth, employment, and prosperity”.<sup>16</sup> These statements exemplify Kinkel's belief that an efficient common market would be beneficial for Germany. The SPD executive committee described the Euro as able to increase “the overall economic efficiency of the EU market,” as well as being necessary for the European economy “to profit within international competition.”<sup>17</sup> Rudolf Seiters, deputy chairman of the CDU/CSU committee, reiterated what the SPD executive committee had said by declaring, “the Euro strengthens the European position in the world economy”.<sup>18</sup> Rudolf Seiters described the Euro as able to make the common market more efficient, based on the logic that investments would be easier with a common currency. He portrayed this by saying that it would be beneficial for Europe to have “a common currency in connection with the Single European Market”, underlining that a European common currency “would make investment easier.”<sup>19</sup> Economic interest groups also favoured the Euro, based on the argument that an efficient common market would make Europe and Germany more competitive in the international market. Chairman of Mercedes Benz, Helmut Werner declared that Europe could not “be competitive in the world” without a common currency<sup>20</sup> and maintained that the Euro was “the last chance for Europe” in relation to nations such as the USA, Japan, and Southeast Asia.<sup>21</sup>

Political elites and business interest groups in Germany also emphasized that a stable common currency would end currency fluctuations and transaction costs. Jürgen Trittin from alliance 90/Die Grünen expressed that die Grünen (Greens) were fundamentally “for a common European currency,” and that Germany needed “firm rates of exchange between all important European Union countries”,

<sup>15</sup> 29.04.1998, Die Zeit: “Durch eine gemeinsame Währung eint Helmut Kohl die Europäer, aber die Deutschen wenden sich von ihm ab. Chronik eines Triumphes im Angesicht der Niederlage”

<sup>16</sup> 31.10.1995, F.A.Z.: „Kinkel: Währungsunion ist nicht „irgendeine Idee“. The same argument was used by Reinhard Kudiss from the Federation of German Industry (BDI) - 1996/27, Der Spiegel: “Starke lobby für den Euro”

<sup>17</sup> 31.10.1995, F.A.Z.: „Die SPD-Führung sieht sich in der Rolle des Mahners“.

<sup>18</sup> 11.10.1995, Die Welt: “Die Währungsunion ist keine Währungsreform”

<sup>19</sup> 11.10.1995, Die Welt: “Die Währungsunion ist keine Währungsreform”

<sup>20</sup> 02.12.1995, F.A.Z.: „Standpunkte: Helmut Werner – Keine Alternative zur Währungsunion“

<sup>21</sup> 1996/17, Der Spiegel: “Die letzte Chance”

because of “the costs of the currency fluctuations on German exports into European Union countries.”

<sup>22</sup> Klaus Kinkel (FDP) declared that exchange rate fluctuations were damaging to the German economy, stressing that if the Euro was not adopted, it would lead to a loss of economic growth and higher unemployment. Kinkel stated in 1997 that fluctuations in the exchange rate cost Germany “one per cent growth in 1995 and a loss of 350,000 to 700,000 jobs across the European Union”.<sup>23</sup> Kinkel argued, “Mercedes in 1995 had exchange rate costs of 600 million, BMW lost a billion, and Siemens approximately 400 million D-Mark.”<sup>24</sup> Helmut Werner claimed that currency fluctuations had a catastrophic effect on German “competitive ability”, meaning that economic progress was “destroyed within a short time.”<sup>25</sup> Helmut Werner also stated, in 1996, that the changes in European currencies alone cost Mercedes-Benz “600 Million D-Mark last year”(1995).<sup>26</sup> Manfred Gentz, from Daimler-Benz, proclaimed that the Euro as beneficial for Germany because transaction costs between currencies in Europe would end. Gentz estimated that the Daimler-Benz-company paid “100 million D-Mark” for European currencies transaction costs a year.<sup>27</sup>

Finally, it was also argued that the Euro should be adopted to prevent the D-Mark from being overvalued, which would be damaging for the German economy. In connection with the 125<sup>th</sup> year anniversary of Dresdner Bank, Chancellor Kohl and the German Minister of Economics, Günter Rexrodt, stressed that if the final stage of the EMU were postponed, it would have a negative impact on Germany because of the prospects for an overvalued currency. The governmental coalition stated that a postponement of the EMU would “make the D-Mark overvalued”, leading to a “loss of exports”.<sup>28</sup>

These statements also indicate a fear of postponing the Euro, emphasising the negative consequences of not launching the Euro in 1999.

## 6. The Stability Debate

Preceding the German political parties’ acceptance of the Euro in 1998, the ability of the Euro to secure price stability was heavily discussed and debated.

This discourse emphasised central bank independence as well as the need for strict fulfilment of convergence criteria by all member states. From the perspective of identity analysis, central bank independence and convergence criteria fulfilment were seen, in Germany, as a way of overcoming the “other”, or Germany’s own past of hyperinflation, and having economic success, through policies of low inflation and controlled budget deficits. Unlike the European identity debate which constantly favoured the EMU, German political elites and interest groups participating in the stability debate expressed that the EMU was contingent upon price stability. If price stability could not be sufficiently secured, a choice in favour of stability could lead to a rejection of the Euro being launched in 1999.

The German discourse about ensuring price stability arose in 1993, with a discussion about the institutionalization and competencies of the (EMI). During 1994 and 1995 German elites put pressure on other EU-member states and proposed the Stability Pact in order to ensure that other states complied with the strict fulfillment of the convergence criteria. Around the time of the Stability Pact

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<sup>22</sup> 31.10.1995, F.A.Z.: „Kinkel: Währungsunion ist nicht „irgendeine Idee“

<sup>23</sup> 13.03.1997, Die Welt: “Verschiebung wäre ein Rückschlag” and 13.03.1997, Die Welt: “Verschiebung wäre ein Rückschlag”.

<sup>24</sup> 13.03.1997, Die Welt: “Verschiebung wäre ein Rückschlag”

<sup>25</sup> 02.12.1995, F.A.Z.: „Standpunkte: Helmut Werner – Keine Alternative zur Währungsunion“

<sup>26</sup> 1996/17, Der Spiegel: “Die letzte Chance”

<sup>27</sup> 08.09.1997, Die Welt: “Offener Streit um den Euro”

<sup>28</sup> 10.06.1997, Die Welt: “Kohl und Rexrodt: -Euro-Diskussion schadet wirtschaft”

proposal (1995-1996), a change in discourse occurred, shifting the focus away from fulfillment of convergence criteria, and focusing instead on the starting date of the Euro. From late 1995, both political and business elites produced public statements, assuring that stability would be secure with the starting date of the Euro in 1999. These statements of assurance also stressed the fact that it was absolutely necessary for the Euro to start in 1999, implicitly expressing that delay of the Euro was not an option. There were also elites who emphasized that the starting date was more important than strict fulfillment of convergence criteria, and those who emphasized that stability should be prioritized ahead of the starting date for the Euro. Throughout this public debate, the Bundesbank consistently stressed that price stability and convergence criteria had to be respected.

Discourse about securing price stability through an independent central bank was present in connection with the institutionalization and the competences assigned to the EMI, leading up to the establishment of the EMI on January 1<sup>st</sup>, 1994 (the second stage of EMU).<sup>29</sup> Before the actual decision of where to place the EMI and ECB was made on October 29<sup>th</sup>, 1993, Chancellor Kohl stated that both institutions (EMI and ECB) should be located in the same place.<sup>30</sup> Kohl wanted to make sure that “the EMI and ECB would be placed in Frankfurt”, hereby underlining the German norm of price stability by sending the message that the ECB would be just as committed as the Bundesbank to securing price stability.<sup>31</sup> The acceptance of this message can be seen in 1995, when Klaus Kinkel, German Minister of Foreign Affairs, stated that: “the independence of the ECB in Frankfurt will help to guarantee price stability.”<sup>32</sup> Rudolf Seiters, deputy chairman of the CDU/CSU committee, discussed the impact that the placement of the EMI in Frankfurt would have on Germans. Seiters said that placing the forerunner of the European Central Bank, the EMI, in Frankfurt “has, and will continue to have, a major psychological effect on Germans”.<sup>33</sup> Seiters also describes the connection that would be made between the EMI and the positive attitudes and trust that Germans had in the Bundesbank because of its ability to assure price stability in Germany.<sup>34</sup>

During 1994 and 1995, an extensive discourse developed, placing a strong emphasis on the strict fulfillment of the convergence criteria and placing particular pressure on other member countries, due to their non-fulfillment of the convergence criteria. Again the German political elites and interest groups were stressing the norm of price stability, in this instance by putting pressure on other states to pursue policies of low inflation and controlled budgets. Securing low inflation policies can be seen in this discourse as a prerequisite for German acceptance of the EMU. In 1994, the German Finance Minister Theo Waigel expressed that he was “disappointed that the convergence criteria were not respected by any other EU Member States besides Germany and Luxembourg”, and stressed that Greece, Italy, Portugal and Spain had to fulfill the convergence criteria.<sup>35</sup> By naming the countries in violation, Waigel was placing them in the out-group, in order to add further pressure for those countries to meet the convergence criteria. In July of the same year, the German government articulated concerns that the Commission would not be able to secure price stability and controlled budget deficits by other EU Member States, when the Commission did not take action against Ireland exceeding the debt criteria.<sup>36</sup> Then, in 1995, German Finance Minister Theo Waigel insisted that “the pressure to fulfill the stability criteria will not diminish,”<sup>37</sup> and later emphasized that “the emphasis

<sup>29</sup> The two main tasks of the EMI were to strengthen central bank cooperation and monetary policy co-ordination, and to make the preparations required for the establishment of the European System of Central Banks (ESCB), for the conduct of the single monetary policy and for the creation of a single currency in the third stage.

<sup>30</sup> 29.10.1993, F.A.Z.: „EG-Gipfelteilnehmer wollen über Währungsinstitut entscheiden“

<sup>31</sup> 29.10.1993, F.A.Z.: „EG-Gipfelteilnehmer wollen über Währungsinstitut entscheiden“

<sup>32</sup> 31.10.1995, F.A.Z.: „Kinkel: Währungsunion ist nicht „irgendeine Idee“

<sup>33</sup> 02.12.1995, F.A.Z.: „Welches Europa wollen wir? Erwartungen an die Regierungskonferenz 1996“

<sup>34</sup> 02.12.1995, F.A.Z.: „Welches Europa wollen wir? Erwartungen an die Regierungskonferenz 1996“

<sup>35</sup> 15.02.1994, F.A.Z.: „Nur zwei Länder erfüllen die Maastricht-Kriterien“

<sup>36</sup> 05.07.1994, F.A.Z.: „Neuer Streit um die Maastrichter Kriterien“

<sup>37</sup> 28.06.1995, F.A.Z.: „Waigel: Die europäische Währung darf nicht Ecu heißen“ - The statement was made in the broader context of a discussion about the European Council meeting in Madrid, December 1995, where it

on price stability will last.”<sup>38</sup> The FDP chairman, Wolfgang Gerhardt, pointed out that there was pressure on the member states of the European Union to “ensure stable budgets, to fulfill the criteria laid down in the Maastricht Treaty, and to maintain price stability.”<sup>39</sup>

On the 10<sup>th</sup> of November 1995, the Federal German Finance Ministry and Finance Minister Theo Waigel proposed the Stability Pact. During this time, other EU-member countries’ were observed by Germany as not fulfilling the convergence criteria, the euro was postponed at the Madrid Summit in 1995, and the planned start of the euro in 1999 was drawing nearer. These events put Germany in a difficult situation. Based on a construction of the European identity norm, and economic advantages, the German political elites can be seen as wanting to launch the EMU in 1999. However, it was also necessary for elites to insure price stability for the future of the EMU. In November of 1995, the Stability Pact was proposed, in order to secure controlled budget deficits and price stability through issuing penalties to non-compliant countries. In the Stability Pact proposal, Theo Waigel expressed that the “goal of the German initiative” was “to make the Monetary Union more acceptable for Germany,” and for the EMU to be “a stability-community” in the long run.<sup>40</sup> In an article in *Der Spiegel*, Bundesbank President Hans Tietmeyer was also said to be more optimistic about securing “a stability oriented monetary union” through the Stability Pact.<sup>41</sup> The Stability Pact proposal served the purpose of reassuring the elites that the EMU would adhere to the principle of price stability.

Around the time of the Stability Pact proposal (late 1995), a change in stability discourse occurred. This debate refocused on the starting date of the Euro, rather than on convergence criteria fulfillment. Both political and business elites produced public statements assuring of stability in the EMU. Waigel said, that there was no possibility of a ‘weak euro’ due to the institution of the Stability Pact.<sup>42</sup> Rudolf Seiters (CDU/CSU) stressed: “The priority of price stability and of independence of the future ECB has been clearly formulated, even more clearly than is the case with the Bundesbank.”<sup>43</sup> This declaration is meant to assure people in Germany that the ECB will not only be *as* stable, but also possibly even *more* stable, than the Bundesbank. The chairman of the executive committee of Mercedes Benz, Helmut Werner, affirmed that without the strict fulfillment of the stability criteria, “no one, not even the German industry, would want to join the EMU.”<sup>44</sup> According to this statement, German industry would never agree to the EMU if they did not believe that the stability criteria would, and could, be fulfilled. In 1996, the German Chancellor, Helmut Kohl, also stated: “Whoever thinks that Germans are so Euro-fanatic that they would give up their concern for stability, is mistaken”.<sup>45</sup> Here, Kohl was giving his assurance that the priority for stability would not waver, even if it were in conflict with European identity. In 1997, Helmut Kohl declared, before the Bundestag, that the federal government would do everything that it could, to “enable the start of the Euro as scheduled, and make sure that it would be durable over time.”<sup>46</sup> This statement assures that both norms of European identity (by starting on schedule), and Stability (by being durable over time) will be achieved. Emphasis placed on the starting date also reveals a strong desire not to delay the introduction of the Euro past 1999. The German Foreign Minister Klaus Kinkel restated that neither European identity

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was decided to change the name of the common currency from Ecu to Euro, and not to start the third stage of the EMU until the 1<sup>st</sup> of January, 1999.

<sup>38</sup> 18.12.1995, F.A.Z.: „Banken begrüßen den Euro-Beschluss“

<sup>39</sup> 31.10.1995, F.A.Z.: „Kinkel: Währungsunion ist nicht „irgendeine Idee“

<sup>40</sup> 11.11.1995, F.A.Z.: „Stabilitätspakt soll die Währungsunion sichern“

<sup>41</sup> 1996/49, *Der Spiegel*: “Der Termin steht im Vertrag“

<sup>42</sup> 11.07.1997, *Die Welt*: “An Strukturreformen führt kein Weg vorbei”

<sup>43</sup> 11.10.1995, *Die Welt*: “Die Währungsunion ist keine Währungsreform“

<sup>44</sup> 02.12.1995, F.A.Z.: „Standpunkte: Helmut Werner – Keine Alternative zur Währungsunion“

<sup>45</sup> 23.11.1996, *Die Welt*: “Kohl erklärt EWU zur Schicksalsfrage”

<sup>46</sup> 28.06.1997, *Die Welt*: “Kohl versichert: Euro kommt pünktlich” and 04.04.1997, *Die Welt*: “Kohl verbreitet Optimismus”

nor price stability was in danger when he declared: “The Euro must and will come as scheduled on the 1<sup>st</sup> of January 1999, with strict fulfilment of convergence criteria.”<sup>47</sup>

It is clear that not all elites felt assured that both the starting date in 1999 and convergence criteria fulfillment could be achieved. Some statements prioritized the starting date of 1999 ahead of convergence criteria fulfillment. According to *Der Spiegel*, there were many German banks and industry representatives who were in favor of starting the Euro even if the stability criteria had to be softened.<sup>48</sup> For example, Manfred Schneider, the Head of the Board at Bayer, stated that he would like the Euro area to include all of the big states of the EU from the beginning – independently of fulfilment of Maastricht convergence criteria.<sup>49</sup> Also, in an open letter, ex-chancellor Helmut Schmidt accused the Bundesbank president, Hans Tietmeyer, of putting too much emphasis on the fulfilment of the convergence criteria. Schmidt implied that Tietmeyer would have personal motives for not starting the EMU on time, saying that Tietmeyer would be “downgraded from de facto monetary king to the branch office director of the ECB.”<sup>50</sup> Despite his personal attack on Tietmeyer, Schmidt was also displaying the fact that he valued the starting date above strict convergence criteria fulfillment.

Other elites prioritized convergence criteria fulfillment ahead of the starting date for the Euro. In 1997, Minister of Bavaria Edmund Stoiber (CSU) argued: “We must interpret stability criteria strictly and narrowly. This has primacy over timetable...I also represent people from the street, and for them inflation has catastrophic consequences. For people from the streets, stability is the most social thing.”<sup>51</sup> This states clearly that Stoiber prioritized convergence criteria ahead of a starting date, fearing the social consequences of an unstable Euro. According to *Die Welt*, Minister President of Bavaria Edmund Stoiber (CSU), the Minister President of Saxony Kurt Biedenkopf (CDU), and the Minister President of Lower Saxony Gerhard Schroeder (SPD), all favoured the beginning of the third stage of the EMU with the number of states, which fulfilled the convergence criteria, and were against the “soft” (or political) interpretation of criteria.<sup>52</sup> Postponing the Euro in Germany past the 1<sup>st</sup> of January 1999 shows the clear prioritisation of convergence criteria fulfillment ahead of the starting date of the Euro.

The Bundesbank can be seen as a consistent actor throughout the entire debate over whether Germany should join the third stage of the EMU, emphasising price stability and fulfilment of convergence criteria as preconditions for launching the EMU. Bundesbank President Hans Tietmeyer said that the Maastricht Criteria “are not going to be diluted.”<sup>53</sup> On the 27<sup>th</sup> of March 1998, Hans Tietmeyer presented the position of the Bundesbank at the cabinet meeting of German CDU/CSU government on the commitment to strict fulfillment of the convergence criteria by the European states. Tietmeyer stated that the entrance into the EMU was “stabilitätspolitisch vertretbar”, meaning stability-politically tenable. However, Tietmeyer also pointed out that some states were not able to dismantle the concerns of others “about the sustainability of their fiscal situation.”<sup>54</sup> Franz-Christoph Zeitler, member of the Bundesbank council and the president of Landeszentralbank in Bavaria, expressed the same concerns as the Bundesbank president, and stressed that the decision to launch the Euro in 1999 was purely “a political one.”<sup>55</sup> The statement by Franz-Christoph Zeitler exemplifies the strong concerns within the Bundesbank about whether the principle of price stability would be respected in the EMU.

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<sup>47</sup> 05.09.1997, F.A.Z.: “Kinkel: Der Euro wird pünktlich kommen”

<sup>48</sup> 27/1996, *Der Spiegel*: “Starke lobby für den Euro”

<sup>49</sup> 27/1996, *Der Spiegel*: “Starke lobby für den Euro”

<sup>50</sup> 08.11.1996, *Die Zeit*: “Helmut Schmidt: Offener Brief an Bundesbankspräsident Hans Tietmeyer”

<sup>51</sup> 28.06.1997, *Die Welt*: “Eine Euro-Verschiebung mündet nicht im Chaos”

<sup>52</sup> 08.09.1997, *Die Welt*: “Offener Streit um den Euro”

<sup>53</sup> 15.05.1995, F.A.Z.: „Vor 1999 keine Einheitswährung“

<sup>54</sup> 28.03.1998, F.A.Z.: „Währungsunion stabilitätspolitisch vertretbar“

<sup>55</sup> 28.03.1998, F.A.Z.: „Währungsunion stabilitätspolitisch vertretbar“

## 7. Linking social constructivism, rational choice and the German debate on the EMU

In this section we attempt to connect the three public debates through a theoretical analysis, which can answer the research question as to why Germany joined the EMU.

During the European identity debate, elites emphasised their understanding of the EMU as a means to overcoming the national socialist past of WWII. The idea of a 'United States of Europe' was first put forward in Germany in 1925 by the Heidelberg program, after which it was banished by the Nazi regime during WWII. Scholars such as Marcussen et al. (1999) have argued that the existence of the 'United States of Europe' concept before the Nazi regime made it particularly salient after WWII, when the Christian Democratic Party (CDU) used the concept of European unification as the alternative to the National Socialism supported by the Nazis. It was based upon this European identity construction that Germany's past (WWII and the Nazi regime) came to represent the other, or 'out-group' for Germans after that time.

The end of WWII brought about a critical juncture in Germany, when the amount of information that contradicted the German National Socialist identity became unbearable. The new identity construction, which was introduced as an alternative to National Socialism, was that of 'European' identity. The concept of a 'United States of Europe' that supported a 'European' rather than 'Nationalist' identity provided an in-group with which the German population was once again able to feel a sense of collective positive identity. Over time, European identity became a more stable concept, as it was used to bolster and strengthen the integrity of political institutions in Germany.

The European Monetary Union was yet another institution which was tied to European identity in Germany. Statements such as 'introducing the euro... to build a united Europe' exemplify a strong tendency of the political elite to identify and place themselves with the in-group of European identity in Germany. The out-group, in this case those who would consider a delay of the Euro, were given the clear message: 'Nationalism is war', relating anyone questioning the starting date of the Euro in 1999 to Germany's National Socialist past.

The heavy emphasis in the German debate 1993 to 1998 on the norm of securing price stability and a stable Euro can be viewed as an identity construction particular to Germany. As also argued by other scholars, the memory of the devastating social effects of two hyperinflations and the rise of Nazism, followed by the subsequent economic success (Wirtschaftswunder) in 1950s by adhering to the principle of price stability, endowed the German population with a sense of collective pride. This has been identified as leading to the belief that price stability policies in the form of an independent central bank, policies of low inflation, and controlled budget deficits were a crucial precondition for economic success and stable social order (Merlingen, 2005; Maes, 2004; Dyson/Featherstone, 1999; Rieter et al., 1993). Thus, the public debate about *stability*, which existed leading up to the start date of the Euro in 1999, can also be seen as an identity norm originating in the late 1940s, when order was restored to the German market economy following WWII. Here, Germany's other is once again defined as Germany's past during WWII, when the devastating consequences of two hyperinflations and a world economic crisis were felt. When considering the EMU, the German elite also took these norms and values into consideration. First, by creating an independent European Central Bank and placing it in the same place as the Bundesbank, Germany could continue to be tied to the concept of an independent central bank. Additionally, placing considerable pressure on fulfilling the convergence criteria emphasized the aspects of Germany's price stability culture.

The proposal of the Stability Pact was yet another event that exemplified the norm of price stability, through focusing on policies of low inflation and controlled budget deficits. Theodore Waigel's statement that the goal of the EMU was to create a 'stability-community' for Germany explicitly states the desire to have the EMU conform to principals of price stability. The following year, in 1996, Helmut Kohl stated: 'whoever thinks that Germans are so Euro-fanatic that they would give up their

concern for stability, is mistaken.’ This clearly shows the extreme importance of the price stability norm in Germany, which was also shown to place extreme pressure on other countries to make reforms and conform to the *ordo-liberal* policies practiced in Germany. By the time of the 1998 Bundestag and Bundesrat votes, all EMU countries were extremely close to meeting the convergence criteria. Also, if any country did not meet convergence criteria in the future, the Stability Pact specified a specific course of action to be taken.

Economic cost/benefit calculations were also a key part of the elite considerations being taken into account when voting in favour of the Euro. This public debate from 1994 to 1998 revolved around the economic benefits of accepting the Euro, and the economic drawbacks of not accepting the Euro. From a social-constructivist standpoint, economic market rationality/rational choice thought in politics can be seen as influencing the German elites perception of the EMU as a normative trend in present day politics. As argued by scholars studying social constructions, it has become more acceptable to base decisions on economic cost/benefit analyses (Gill, 1995; Ruggie, 1995; Finnemore 1996; Risse; 2004). The debate about Germany joining the EMU was no exception to this norm. Klaus Kinkel stated that the EMU would bring ‘more growth, employment and prosperity.’ Kohl and Rexrodt stressed that an overvalued D-mark would lead to a ‘loss of exports.’ These are two prime examples of elites using economic rational-choice considerations as the “normal” way of explaining the EMU when judging whether or not the Euro was a good idea for Germany. The German economic debate demonstrates that the German elite valued rational choice calculations, and that they were considered as factors for joining the common currency.

Through the application of a social-constructivist framework, focusing on national identities and cost/benefit calculations as normative values, the German public debate leading up to the Bundestag and Bundesrat decisions in 1998 can now be explained more completely. The German public debate, which took place between 1993 and 1998, was necessary for creating a shared consensus on what was in Germany’s best interest. The empirical research presented in this article exemplifies the importance of the German public debate: developing and shifting political actors’ preferences; as well as constructing policies, which concluded with the Euro being perceived by elite’s to be in Germanys national interest. In answer to the question of why Germany joined the EMU, European and economic considerations were seen as favouring the Euro, and price stability was seen as able to be secured through the Stability Pact, rendering the initiation of the Euro in 1999 as tenable.

## 8. Conclusion

This article dispels two common and persistent misconceptions in analyzing the important question: Why did Germany decide to join the EMU? The first misconception is that the EMU was finalized in 1991 with the Maastricht Treaty, thereby leaving the Euro ‘locked-in’. Contrary to this conception, a public debate took place in Germany, which made the EMU acceptable on a national level, without which the Euro may have been postponed.

The second misconception is that by using either economic interest based or constructivist European integration theories, using one automatically exclude the other, along with that theory’s coinciding observable empirical characteristics. Although ontological perspectives are fundamentally opposed, by understanding cost/benefit analysis as a socially acceptable norm, cost/benefit analysis becomes an observable aspect of the social constructivist framework, and economic outcomes are explained theoretically, without excluding other norms and values.

On the basis of discourse analysis we argue that the German elites’ perception of the EMU was formed *through* and *by* the debate taking place from 1993 to 1998, which ultimately led to the decisions to join the EMU as late as 1998. Through this debate the elite became convinced that the EMU would benefit Germany economically and would not lead to instability. The notion was



furthermore created that the EMU was an integrated part of German European identity. Finally, the debate convinced the German elite that the EMU was a matter of urgency – if postponement occurred yet again, stability might be damaged, economic benefits would be lost, and European integration would suffer immensely. In other words, a vote in favor of postponing the Euro past 1999 could have altered the whole course of the EMU and hence of EU as we know it.

Previous analyses of the German decision have been focused on the period prior to Maastricht and the academic contributions have tended to focus on either German Europeanism (like Risse et. al), the possible economic advantages (like Moravcsik) or the fact that the German said yes because the EMU was modeled after the German model (like Dyson and Featherstone). Our analysis suggests that all of these motivations were underlying the German decision to join – overlapping and mutually strengthening the argument for German participation.

This complexity also implies that it is impossible to understand the German decision without applying a multi-dimensional theoretical framework. By applying only one theory, previous contributions by necessity only cope with parts of the complex motives underlying the German decision to join the EMU, which explains why the German decision has continued to be a puzzle.

The most important achievement of the German debate was that it established a link between the EMU and how the elite perceived German interests. By applying a social-constructivist framework, we have thus demonstrated that identity constructions, which included rational-choice considerations, were important normative values underlying the German acceptance of the EMU.

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